

Memorandum

To: Panel Members Date: May 23, 2002

From: Ron Tagami, Manager
Peter DeMauro, General Counsel Analyst: N. Weingart

Subject: Proposed Amendment No. 4 for **Disneyland, a Division of Walt Disney World Co.**
(www.disney.com)

CONTRACTOR:

- Training Project Profile: Retraining: companies with out-of-state competition
- Legislative Priorities: Displaced/Potentially Displaced Workers
Developed Jointly by Management and Workers
- Type of Industry: Services/Destination Resort
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 110,000
 - In California: 22,000
- Fringe Benefits: Yes
- Union Representation: Yes
- Name and Local Number of Union representing workers to be Trained: International Association of Machinists and Aerospace Workers, District Lodge 94, Local 311 (Machinist); International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts, (IASTSE) Locals 504 and 923 (Mechanic, Projectionist, Stage Technician); International Brotherhood of Electrical Workers, Local Union 441 (Electrician); Plasterers' Local No. 200 (Plasterer); Steam-Refrigeration-Air Conditioning-Pipefitters and Apprentices Local Union 250 (Air Conditioning/Refrigeration Mechanic); Operating Engineers Local Union 501 (Operating Engineer and Firer- Locomotives); Plumbers, Steamfitters, Welders and Apprentices Local Union #582 (Plumbers and Pipefitters); Laborers' International Union of North America, Local Union No. 652 (Custom Sewing Operator, Gardener, Exterminator, Upholsterer, Laborer, Park Decorator, Plaster Tender, Pruner); and Painter & Allied Trades District Council 36 (Painter, Ager/Grainer, Color Specialist).

CONTRACT:

- Program Costs:
 - Present Program Costs:** \$1,300,260
 - Amendment Program Costs +:** \$721,400
 - Total Program Costs:** \$2,021,660
- Substantial Contribution:
 - Present Contract Contribution:** \$0
 - Amendment Contribution +:** \$0
 - Total Contributions:** \$0
- Total ETP Funding: \$2,021,660
- In-Kind Contribution: \$4,760,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Orange & Los Angeles
- Duration of Agreement: 24 months

ACTIVE PROJECTS:

The following are current project statistics:

Agreement No.	Term	Agreement Amount	Number To be Retained	Number Enrolled	Number Completed Training	Number retained for 90 days
ET01-0340	6/30/01-6/29/03	\$1,300,520	599	545	14	0

NARRATIVE:

This project was developed with the assistance of the California Technology, Trade, and Commerce Agency. The Contractor is deemed to be facing out-of-state competition under Title 22, California Code of Regulations, Section 4416(d)(3)(A): The applicant and its affiliated facilities are a recognized destination resort.

The Walt Disney World Co., headquartered in Burbank, is a diversified entertainment organization comprised of multiple businesses: feature animation; theatrical production; motion picture production and distribution; music; publishing; merchandising, sports; television and radio; cruise ships; and theme parks. There are more than 110,000 employees and cast members worldwide. On February 8, 2001, the newest theme park, Disney's California Adventure Park (DCA), opened in Anaheim adjacent to Disneyland. To support this endeavor, the company is hiring new employees and reassigning current staff to work in every facet of the DCA and Disneyland operations. With park expansion comes a need for training both new and long-term employees.

NARRATIVE (continued):

Phase I of the ETP training program is for the Facilities, Engineering and Construction Departments (FEC) whose workers are responsible for repair and maintenance of the entire Disney Anaheim attraction operation. New employees are receiving training in the fundamentals of Disney attractions to ensure overall familiarity with the operation. These workers, as well as the more experienced personnel who are being transferred, are being trained on the specific attraction to which they are assigned. Training consists of class/lab hours only in: Disneyland Ride Attraction Specific Modules (ride specifications, preventive maintenance, construction, sound effects, film projectors); Animation (figure animation, audio animatronics, special feature and advanced animation); Lighting; Imaging & Effects (traditional effects; air and water effects, UV laser); Motion Picture Projection; and ride specific Technical Training (cranes, rigging, scaffolding, welding, power presses, industrial trucks, electrical/mechanical safety).

This training will give company frontline employees the tools to assist them in improving quality and ensuring the attractions are in top working condition for the public's maximum enjoyment and safety.

The Contractor has requested an Amendment to Phase I of the Agreement to:

- Add Job #4 for 60 hours of classroom training;
- Redistribute trainees among the four Job numbers;
- Increase the total number of training slots;
- Add two new unions;
- Add union and non-union occupations; and
- Decrease the minimum wage for Job #2 trainees to accommodate firer locomotives employees whose wage scale is set by the collective bargaining agreement with Local 501.

Since submitting the original training plan, the Contractor has reevaluated the program and determined that some trainees need either more or less training hours than previously anticipated. The changes are based on a detailed analysis of each cast member's (employee's) current experience and skill level and their current or anticipated job duties within the two park facilities. Consequently, the number of trainees in each existing Job number was increased or decreased as needed and Job #4 was added to provide a 60-hour training program.

Phase II is being added to the Agreement to:

- Provide training for Disney Travel personnel in Anaheim; and
- Provide training for Disneyland administrative personnel in Anaheim and for Walt Disney World Co. corporate headquarters personnel in Burbank.

Disney Travel is in the process of creating a high performance workplace environment, empowering frontline workers, and upgrading employee skills and internal operating systems to increase efficiency and accuracy to better service its customers. To reach these objectives, the company wishes to retrain existing staff in Team Problem Solving, Management Skills, Computer Skills, and Business Skills. This Amendment will add four new Job numbers to the Agreement to provide Reservation Sales Agents and Managers in Anaheim with 90 to 200 hours of class/lab and Computer-Based Training (CBT).

NARRATIVE (continued):

Team Problem Solving will help develop an empowered workforce by grouping staff in “pods” (teams) to work on problems and create solutions. Management Skills will train Managers to coach workers and implement new processes and procedures as they are developed through the team problem solving efforts. Business Skills will give staff the tools and product knowledge to facilitate hotel, meal, attraction, and transportation reservations to improve sales and customer satisfaction. Finally, Disney Travel is upgrading all of its reservation systems and must retrain staff in the software that applies to their specific job responsibilities. This training program will enable Disney Travel to become more productive, promote cooperation between management and frontline workers, and provide superior customer service to increase its market share.

Disneyland and the corporate headquarters of Walt Disney World Co. (corporate) are also in the process of implementing a company-wide Enterprise Resource Planning System (referred to as Project Tomorrowland). The end result will be the unification of the company’s Finance, Human Resources and Payroll operations into one system with SAP (Systems, Applications, Programs) software. This comprehensive program will provide one, consistent, technology that delivers timely, customized information to end users. Trainees will receive 40 hours of training (38 class/lab hours and 2 CBT hours) in job specific program skills. While many departments throughout the organization require this training, the ETP-funded portion will only include frontline workers and managers in Finance, Human Resources, Warehouse/Inventory, Payroll, and Administration Support. Training will take place in Anaheim and Burbank.

Supplemental Nature of Training

Disney Travel: Current training focuses primarily on new hires that receive 80 hours of general overview skills in travel reservations. The company has also provided other courses such as Safety Training, Basic Team Building (4 hour overview), Meyers Briggs (8 hours), Basic Product Knowledge, Basic Computer Skills, Management Skills (behavioral and labor relations), and Train-the-Trainer on an as-needed basis.

The proposed ETP training has not been delivered in the past. The Team Problem Solving and Management Skills courses are new to the company. Computer Skills will be delivered on software upgrades and new system functions to staff lacking prior experience utilizing these programs. Business Skills training will be expanded to include actual hands-on case scenarios and sales work activities to bridge the gap between training and real-life situations to which staff are exposed on a regular basis.

Without ETP funds, Disney Travel would only be able to do a portion of this training. The number of trainees would be reduced, the scheduled courses would be delivered over an extended period of time, and training would only take place on-the-job, rather than in a classroom setting. Under these circumstances, the continuity, effectiveness, and quality of training would be diminished.

Following ETP training, Disney Travel will continue to deliver the same training topics listed on the ETP curriculum and provide additional training in Time Management and Career Development for hourly staff at a cost in excess of \$200,000.

NARRATIVE (continued):

SAP (Systems, Applications, Programs) Training (Project Tomorrowland): In the past, training has been provided to office and executive level employees in the old SAP system, Systems Thinking, Interpersonal Skills, Coaching, Safety Awareness and Hazard Materials. There have been no company-wide, classroom, computer-skills training efforts.

Now, Disney must upgrade its entire workforce to interact with the new SAP computer system. Without the addition of ETP funds, the company would provide only a small portion of the skills needed to a smaller audience through on-the-job training over an extended period of time. This would negatively affect the continuity, effectiveness, and quality of training.

In-Kind Contribution

Phase I: The employer's in-kind contribution to this training program is \$3,000,000. This total is comprised of an estimated \$1.8 million in trainee wages that will be paid during training and \$1.2 million, over and above ETP reimbursement, for trainer wages and training materials that will be used during the term of the Agreement.

Phase II: The employer's in-kind contribution to this training program is \$1,760,000. This total is comprised of an estimated \$660,000 in trainee wages that will be paid during classroom/lab training and \$1,100,000, over and above ETP reimbursement, for trainer wages, training materials, e-learning programming, and additional CBT training during the term of the Agreement.

COMMENTS:

This Amendment was originally presented at the March Panel meeting. But with two recusals, there was no quorum to act on the Amendment. At that time, Mr. Hodess stated that the consensus of the Panel was to support the project and that he would recommend approval when there was a quorum.

PROPOSED ACTION:

Staff recommends that the Panel approve the Amendment if funding is available and the project meets the Panel priorities. This recommendation is based on the Contractor's continuing need: (1) to provide its employees with the skills to ensure optimal park operation and public safety; (2) to provide its Travel Department personnel with the skills needed to offer optimal customer service and satisfaction to increase market share; and (3) to provide its administrative staff with the computer skills it requires to enhance Disney's operating efficiency to remain competitive in the industry.

TRAINING PLAN (Phase I):

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Phase I Jobs 1-4	Commercial and Management Skills	728	60-200	0	0	\$780 - \$2,600	\$11.54 - \$34.61
					<u>Range of Hourly Wages</u> \$11.54 – \$34.61		
					<u>Prevalent Hourly Wage</u> \$16.10		
					<u>Average Cost per Trainee</u> \$1,786		
<u>Health Benefit used to meet ETP minimum wage:</u> N/A					<u>Turnover Rate</u> 5%	<u>% of Mgrs & Supervisors to be trained:</u> 3.4%	

TRAINING PLAN (Phase II):

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Phase II Jobs 5 - 9	Continuous Improvement, Business Skills, Management Skills, Computer Skills	853	38-200	2-10	0	\$510 - \$2,600	\$11.66 - \$45.00
					<u>Range of Hourly Wages</u> \$11.66- \$45.00		
					<u>Prevalent Hourly Wage</u> \$18.00		
					<u>Average Cost per Trainee</u> \$846		
<u>Health Benefit used to meet ETP minimum wage:</u> N/A					<u>Turnover Rate</u> 5%	<u>% of Mgrs & Supervisors to be trained:</u> 10%	